"Gokaldas Exports Limited Q2 FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY22 Earnings Conference Call of Gokaldas Exports Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Binay Sarda from Christensen Advisory. Thank you and over to you, sir.

Binay Sarda: Thank you, Rutuja. Good morning to all the participants on this call. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statement that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business to risks that could cause future results performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements. Please note that we have mailed the results in the presentation and the same area available on the company's website. In case, if you have not received the same, you can write to us and we will be happy to send the same over to you.

To take us through the results and answer your questions today, we have the top management of Gokaldas Exports Limited represented by Mr. Sivaramakrishnan Ganapathi - Managing Director and CEO and Mr. Sathyamurthy - Chief Financial Officer. We will start the call with a brief overview of the quarter gone past and then conduct Q&A session. With that said, I will now hand over the call to Mr. Siva. Over to you, sir.

S. Ganapathi: Thank you Binay. Good morning everyone, happy to have you at our earnings call for the second quarter of FY22. The start of Q2 was a turning point for us. We just came out of a devastating second wave of COVID-19 which had brutal consequences for the nation socially and economically. Unfettered after the severe lockdown in Q1, we displayed an extraordinary level of agility and customer responsiveness to step up our business performance.

The company has one of the best quarters ever posting a revenue of Rs.446 crores, a growth of 29% over the previous year. Our export revenue growth was 34.6% given that we have reduced focus on domestic customers. We delivered an EBITDA of about Rs.54 crores and PAT of Rs.28.6 crores, both of which are the highest ever. Retail apparel sales for calendar year 2021 in our largest market, the US has been robust with sales up by 6% YTD over 2019 level. E-commerce is 41% above 2019 pre-pandemic levels.

European data also indicates that 2021 sales is catching up with 2019 levels steadily. After gaining market share in FY21 by consolidating suppliers, the company is well positioned to leverage growth in retail sales. With China continuing to be constrained by trade restrictions, COVID resurgence and high cost of labor, while Vietnam also impacted by a surge in COVID, customers are looking out to diversify their supply chains. The government of India has come up with a strong support for Indian textile industry by announcing a stable policy regime, a new PLI scheme and has initiated discussions with several countries for FTA. A confluence of these factors is propelling the business prospects for the Indian apparel industry especially for those having a strong track record of quality and consistency. Our order book is robust for the next 2 quarters exerting tremendous pressure on available capacity.

Looking at the prospects, we have set up two new units in Tumkur and Bommanahalli in Karnataka in the quarter which will ramp up in the next 6 months. We have also initiated work on a new Greenfield unit in Madhya Pradesh which will be commissioned in early FY23. We provided a safe work environment to bring back our 24,000 people after the lockdown and recruited about 4000 additional people across our factories in the quarter. We are also looking for additional capacity for growth and are exploring the units in Tamil Nadu. By creating some additional capacity in our existing unit and strong utilization, we could deliver an improved EBITDA going forward. While the new units that we have created will have a deleterious impact on margins for 6 months till they ramp up, continued effort on improving productivity in existing units could offset some of it.

We are hampered by a severe supply chain constraint in the form of availability of containers and shipping capacity impacting flow of raw materials and finished goods. Raw material prices are also going up. Our endeavor is to ensure that we pass through most of the raw material costs to the customers and absorb the rest through efficiency improvement. With growth in business and supply chain constraints, we had to plan for incrementally higher level of inventory in the quarter to the tune of Rs.107 crores which is somewhat disproportionate to business growth. This along with delayed receipt of RoSCTL increased our working capital deployed in the business. While the government is indicating release of RoSCTL payments soon, we may have to live with higher inventory level for some more time till the supply chain constraints stabilizes. We have the management talent to sustain our growth. We have planned to invest about Rs.340 crores over the next 4 years for capacity creation, modernization, and new ventures. This will help us drive growth of the business in the near future.

Apart from growth in India, we are also exploring options to grow in other low cost countries and will take appropriate steps to ensure that we have sustainable business footprint which is capable of scaling profitability. I wish you all a Happy Deepavali and thank you for listening. I would be happy to address any questions that you have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Akshay Chheda from Perfect Research. Please go ahead.

Akshay Chheda: Sir, I had basically two questions, one of it is, what competitive advantage do we have against other MNC players in the industry? And the second one being has COVID resulted in reduction of competitive intensity from local players?

S. Ganapathi: The manufacturing base does not have too many MNC players at least in India, but globally there are some players who are transnational in their character and we end up competing for business globally. We are bidding for a business from one customer, they have options to also outsource into Bangladesh or Vietnam or China or Indonesia or wherever they wish to procure from. So to that extent, our competition is global and to that extent, we may be dealing with lot of transnational companies as well. So I hope that answers your question.

Akshay Chheda: Sir, actually I wanted to understand the advantage, basically why would anyone come to us and not outsource it to anyone else as you said from Bangladesh or China or anything?

S. Ganapathi: So there are several reasons for that. All large buyers would want to procure products which are specific to certain regions which have certain characteristic signature from those regions and what are the raw materials available in those regions. Keep in mind that the fashion industry is extremely quick in response to market needs and are constantly looking for lonely sites. If the raw material sources are available in India, for example, cotton, viscose, staple fiber, etc. then garments which utilized those fabric would tend to get produced more in India rather than some other country because the fabric ecosystem exists in India. So India, we have got a very robust textiles ecosystem, not just the apparel manufacturing, which gives an advantage to this country. Second, we are globally cost competitive and globally benchmarked when it comes to quality consistency and on-time delivery. We have one of the best metrics in the industry as far as these measures are concerned and automatically that means that customers will come to us to procure their goods. So to answer your question very simply put, we compete very well with international players, we have excelled against them while fiercely competing with them.

Akshay Chheda: And the second question sir, about the COVID resulting in a reduction of competitive intensity from local players?

S. Ganapathi: There are small players who may have had some challenges during the time of COVID, some of them did shut shops and those who remained are now seeing good business prospect as well as there is in general an excess of demand over supply for the time being, so to an extent, the supplier base has been reduced, so that partially answers your question, but then those who are still there are still in the business, but larger buyers intend to consolidate suppliers and we have new larger players like us having beneficiaries of that move.

Moderator: Thank you. The next question is from the line of Kirti Jain from Canara HSBC. Please go ahead.

Kirti Jain: Sir, this current level of turnover, does it include like previous quarter backup or do we expect such high levels of around just say a Rs.450 crores of turnover can be sustained?

S. Ganapathi: Good question, so obviously there was an order backlog as in Q1, we could not deliver our goods as the factories were shut in the month of May and June, but keep in mind that we were fully booked for Q2 and Q3 as well and now for Q4 as well. So the situation is that the deferment of production from Q1 had to be absorbed in Q2, but which automatically means that the Q2 production gets kicked onto Q3 and to an extent, we are accommodating by producing it using overtime or incremental capacity that we are creating and a very little extend through some outsourcing transactions that we did and this will continue in the quarters ahead as well. So to simply answer your answer, would this be sustainable in Q3 from an order and revenue perspective, answer is yes because we do have this kind of order book which will take up our capacity and hence deliver revenue in the quarters ahead.

Kirti Jain: Sir, given this run rate, can we target Rs.2000 crores turnover next year, sir?

S. Ganapathi: Everything depends on the capacity and how fast we can build capacity. Our endeavor would be to bring up capacity as fast as we can and as operationally feasible manner as we can. So we are quite growth oriented and would like to deliver growth going forward and we will do our best.

Kirti Jain: Sir, despite inflation and no one-off we were able to do 12% margin, what are the key success factors in your view had helped to achieve this margin and do you think such margin performance, we can sustain given the continuous inflation?

S. Ganapathi: So raw material inflation and labor cost inflation are the two major inflation that we deal with. So when it comes to raw material inflation, we endeavor to pass on our raw material cost back to our customers. Our order booking process is such that when I book an order and confirm it, we do have a back to back understanding with our raw material suppliers for the raw materials along with locking them in for their pricing. Only in rare events, have we not been able to pass on the entire cost of incremental raw material back to our supplier, but then in those cases we tend to operate with higher level of efficiencies and overcome that, but by and large, we have been able to pass most of it back to the customers. The inflation in labor costs as year-on-year dearness allowance, there is a labor cost wage inflation which happens in line with CPI, that has to be overcome with better productivity which is work in progress and we are doing as well. So all in all, we tend to push back inflation to the customers or observe the productivity as the case may be and we have been reasonably successful in doing so. Coming to your question on, is the margins sustainable, there are a few other factors which are at play as well, so what we produce in Q2 and Q3 are different, in Q2 we produce a lot of autumn wear which tends to be outerwear intensive or outerwear heavy, whereas in Q3 we produced lot more for spring and summers, more so for spring which are lightweight. So the characteristics in the profit margins are slightly different, not a whole lot different. So that will have a stress in the margin albeit very small. The other factor is that the two new units which we have commissioned in September are going through a ramp up, ramp up in manpower and ramp up in productivity as well and it will take 6 months for them to reach the peak production and peak labor force, so which means in the quarters of Q3 and Q4, those two units will have a negative overhang overall even though their revenue contribution is not very large. So to that extend, there will be an EBITDA pressure coming from some of the two new units, but that will fully catch up by Q1 of next year and we will be back to normal. Having said all of this, there are all these moving parts which may have a very small impact on the EBITDA margin, I don't anticipate a big delta, we would still be in double digits going forward.

Kirti Jain: Sir, given the QIP money which has come in, so finance cost will reduce significantly?

S. Ganapathi: Yes.

Kirti Jain: Sir, you have highlighted now a new CAPEX plan of Rs.340 crores in our presentation, does that include that Tamil Nadu one which you have spoken in the opening remark, sir or that is apart from the Rs.340 crores?

S. Ganapathi: No, that is inclusive of Tamil Nadu.

Kirti Jain: So MP and Tamil Nadu is part of that Rs.340 crores, right, sir?

S. Ganapathi: Yes, indeed.

Kirti Jain: When will that get concluded sir, Tamil Nadu one?

S. Ganapathi: So we are working on it, we will let you know as soon as it is concluded. There are several discussions going on that. We would like to do it as early as possible. Hopefully, in this financial year itself, if we can.

Moderator: Thank you. The next question is from the line of Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: So my question is from the way I think about the business moving forward, demand is not really an issue, but the supply is, so could you help us understand in the next 12 to 18 months, from the way you are looking at the supply expansion scenario, how much can we expand our capacities by? Range would also be okay?

S. Ganapathi: So if you look at the two new units that we brought in which are in Karnataka, both of them put together at peak will contribute to Rs.160 crores of revenue, so once they are fully up, fully productive and fully ramped up. The expectation from our MP unit when it is fully ramped up from phase one is Rs.150 crores, phase 2 is another Rs.150 crores, phase 2 work will start only after phase 1 is commissioned. So let us only take phase 1, so that is another Rs.150 crores, so in total 310 crores. Tamil Nadu will also yield about Rs.60-Rs.70 crores when it fully ramps up. So that is the kind of capacity expansion where new capacities were looking. We are still looking out for additional capacities which are all work in progress and I don't want to commit anything till we have clarity on some of those capacities that we are working on. In addition, we will also be looking at incrementally augmenting capacity in our existing factories wherever possible. There is a not whole lot of capacity available in our existing factories, but to the extent, we can drive it through productivity improvement or some marginal incremental lines that we can put in we would go for that as well. So that is the kind of capacity road map for the very immediate and visible duration what I am talking about. We are constantly active as I said in terms of looking for more capacity creation and as I mentioned since growth is a function of capacity creation, we would be very aggressive in this endeavor and you could see that in the way we have already brought up two new factories and working on more, we are also looking at bringing up some capacities outside of India. One of the countries that we are looking at is Bangladesh, but we are not averse to other options as well and we currently have some outsourced operations going on there which are all on test and trial basis and we seem to be encouraged by what we are seeing. So if and when we are fully convinced and if and when we are in a position to set up some operations there, we will do that. Given the prospects, we will try to conclude all of these things at the earliest.

Venkat Samala: So the management has been speaking about expansion in Bangladesh for some time now, right, so just wanted to understand in terms of advantages and risks that we could face when we would be manufacturing from Bangladesh and also would our margins, if we choose to manufacture from Bangladesh be any different from what it is right now and lastly on this Bangladesh, by when are we likely to take a call on this geography?

S. Ganapathi: The advantage of Bangladesh is fairly evident. It is one of the largest apparel manufacturing countries after China, the large buyer tend to favor Bangladesh as it has got abundance of labor availability and government policies which favor the garment sector. So the country does have quite a bit of advantages going for it. It also enjoys a duty free access to EU which makes it immensely competitive when it comes to serving European customers. Apart from EU, it also goes duty free to Canada and Australia. So there are several advantages of going to Bangladesh apart from simply proximity to the country as well. There are disadvantages as well in terms of logistics with Chittagong port being congested and with land routes between India and Bangladesh being congested resulting in fabric movement taking time, but all put, Bangladesh does have a cost advantage, has abundance of talent and capable growing apparel industry base. So that is the attraction. There are other countries as well which are attractive, but Bangladesh seems to have all those benefits. In terms of risks, of course, there is always a risk of going into new country which is different from ours and where there are entrenched players being present, so we will be very cautious when we go in and we will be careful to mitigate all the risks as a responsible company.

Venkat Samala: And just as a follow up, by when are we likely to take a call about expansion into this geography?

S. Ganapathi: My feeling is that we should be able to take a call before the end of this financial year.

Venkat Samala: And my last question is that in the presentation we have also spoken about foray into new business categories like technical textiles, knitwear, so how are we thinking about this and again in terms of strategy timeline if you could give some color that will be helpful?

S. Ganapathi: So they are all work in progress and a bit premature, but I didn't want to preclude or foreclose anything from a disclosure standpoint and that is why we said what we said. So for example, we are strong in the woven space and we don't have any serious presence in the knit space at all, but if you look at our customers, they sell both woven and knitwear in their stores. So if you walk into a GAP store, you will find a shirt and a T-shirt being placed side by side. So our customers can, for instance, have demand for knits as well. Now, globally if you look at knits, it is almost 50% of apparel trade with woven being the other 50%. So while we are a player in 50% of the market, there is still an opportunity for us to play in the other 50% by catering to our existing customers with whom we have deep relationship. So that is the factor which is driving us to explore knits as a business unit, not to mention that there is reasonable growth in that segment as well. So we are working on it and again we will take a call by end of this financial year on our knits investment, if it is conducive and if it is making financial sense, then we will definitely be quite keen on going down that path.

Venkat Samala: And one final one if I may squeeze in, a book keeping question, in this quarter financials, did we include any RoSCTL income of the previous quarters since the time it is recognized, I mean the rates are finally determined by the government?

S. Ganapathi: No, we did not.

Venkat Samala: So only for this particular quarter, it is booked?

S. Ganapathi: Correct.

Moderator: Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital. Please go ahead.

V. P. Rajesh: I joined upon a little bit late, so I am not sure if you have answered this, but this Rs.340 crores CAPEX, what is the timeline of this, given the capacity expansion that you just explained, it doesn't look like that you will consume lot of this cash for that capacity expansion?

S. Ganapathi: The current plan for us to utilize the Rs.340 crores is by FY25, but bulk of it will be consumed by FY24, so in the next 3 years. That is point number one. That is as it stands today. We will try our best to see if we can further speed this capital deployment as a faster deployment means a faster growth, but we will have to make sure that we are deploying it properly and deploying it successfully, so that we can get the desired rate of returns from this capital, so while we are financially conservative company, we will be very aggressive in looking at growth option and the timing of this plan what we have indicated we will try our best to see if we can advance this. So that is where we are with respect to the CAPEX deployment.

V. P. Rajesh: And then second question on the margin side, it seems that 12% includes the FX gains and if we exclude that then your margin is around little over 10% so do you foresee further margin expansion from this rate or would the inflation we are seeing on the raw material side, this is something what we should expect, let us say in fiscal year 2023 also?

S. Ganapathi: So the FX gain is a misunderstanding in the system, we worked on hedged P&L and not on the P&L spot rate that obtained, so our accounting standards may recognize revenue at the prevailing spot rate in the quarter, so whenever we send goods and we recognize revenue as the then prevailing spot rates multiplied by the dollar revenue that we get and thus arrive at our revenue, however, when we actually do business and actually do our costing etc., we work on a hedged rate and then price our orders on that basis. So at the end of the quarter, if the prevailing spot rate during that quarter is let us say in rupee terms, right, rupee to dollar terms is higher than the hedged rates, we will end up booking a hedge loss and if the prevailing spot rate are lower than the hedged rate, we will book a hedge gain, but in reality the prevailing spot rates has no basis or no bearing on our PAT, so regardless of what the spot rates are, my PAT will be the same because I do a business on the hedge rates and I book my orders on the hedged P&L, so you may see if the rupee was, let us say, Rs.78 versus Rs.72, you could either see gain or a loss as the case may be, but net-net, it will not have a bearing on the PAT. I hope you understood that point, so I would not back up or adjust for the hedged gain or hedged loss as the case may be because that is not how the business is done, it is done on the hedged P&L.

Moderator: Thank you. The next question is from the line of Kush Gangar from Care PMS. Please go ahead.

Kush Gangar: My question was regarding the asset turns for this new CAPEX or the plans that we have in FY24, what would be the asset turns for those?

S. Ganapathi: We can reasonably assume it to be 4 times.

Kush Gangar: And you mentioned Rs.340 crores, the Greenfield project in Tamil Nadu is included as part of this, but the two new factories which have been operational would be over and above the Rs.340 crores that we are looking **to** invest like price, right?

S. Ganapathi: The Tamil Nadu project is not Greenfield. The Tamil Nadu project is the lease unit that we are looking at, just to clarify. Our Madhya Pradesh project is Greenfield. Apart from that we may in the future in the Rs.340 crores, we will also look at the combination of Greenfield and brownfield expansions as we speak and as far as the CAPEX is concerned, the existing two new units are also included in the Rs.340 crores, the existing two units which have come up last month.

Kush Gangar: And what portion of the current growth in this quarter was due to price realization being up due to cotton prices being higher, so what was price growth for the quarter?

S. Ganapathi: In the second quarter you mean?

Kush Gangar: No, it is about Q2?

S. Ganapathi: It is very low because the booking of business for the second quarter was done almost in the Q4 of last year, so it might not have much of an impact. As you recall, cotton prices have gone up pretty significantly, but that doesn't mean that all that translates into yarn price growth. Yarn price, it translates to a lower extent in terms of yarn price growth, for example, Y-o-Y cotton price would have gone up by 40%, but yarn price have gone up by 24% and fabric prices gone up by 8%, so really speaking, we buy only fabric and we don't buy cotton and since we have long-term contract with our fabric supplier, we tend to keep the fabric prices also nearly status quo. So we are not exposed to so much of spot volatility in the markets as much as you think and certainly cotton prices don't immediately have a bearing on our raw material prices. So factoring all this, the price increase has not been much in the quarter.

Kush Gangar: And by when do you expect us to be in the tax or MAT range?

Sathyamurthy A: We anticipate it from FY23 onwards.

Moderator: Thank you. The next question is from the line of Bharat Chhoda from ICICI Securities. Please go ahead.

Bharat Chhoda: I just had a question regarding this, whether we will be foraying into newer projects like technical textiles and anything that you have worked on over there, what could be the target in margin and gross and also PLI has been announced and we have a good amount of products which are in from the manmade fiber, garments, so how would the PLI play out for us if you look at it from a future perspective?

S. Ganapathi: So the PLI guidelines are still awaited and they are work in progress. We are keen on looking at PLI and definitely if it makes sense, we will avail of it as well, so we are very keen to do that and keen to get into the space which PLI encourages, which is manmade, fiber based apparel products. So there is a lot of work going on in this sale, our interest still remains high. As and when the clarity on PLI emerges, we will go forth and do the needful to avail of PLI based on the conditions which government spells out in the detail guideline. As far as the other projects are concerned, for example, knits or any other projects, we are all working in progress, we are all early days as we speak and it just gives you a flavor of what we are thinking about and what we are looking on. The detail project reports are all work in progress as we speak, so it is a bit premature to conclude on what kind of margins, etc., those individual projects would yield. Initially, they will all start small and then build up as we enter into new space, so the current business which is apparel manufacturing will continue to be a dominant portion of the business for at least a couple of years and those will tend to have a bigger impact on the years ahead subsequently. So I wouldn't count on too much of margin delta going forward from some of these new projects, but specific margins of the projects are bit premature for us to discuss.

Bharat Chhoda: And sir, a connected question, like would it be if we go for PLI, would it require lines to be rearranged like it separately for MMF to get that benefit, is that under the guidelines or something we will have to restructure the way we make the products or put it in a separate company or how would that work any idea on that sir if you could?

S. Ganapathi: So PLI is applicable for a new unit only and one of our new units will have to be considered for availing of the PLI benefit and produce products which meet with the criteria. So we cannot avail of that in our existing unit, so reconsidering lines in our existing units, etc., doesn't make much of a sense. We will be looking at a new unit and then working on PLI, availing the PLI in that new unit.

Bharat Chhoda: So would that entail that some customers who are already using your product would be given sourcing from that plant, is it possible that way restructuring?

S. Ganapathi: Correct.

Moderator: Thank you. The next question is from the line of Anish Jobalia from Banyan Capital. Please go ahead.

Anish Jobalia: Sir, first question is, slide number 17, we will be allocating Rs.40 crores towards new initiative in FY22 itself, so could you elaborate a bit more on what are the plans here?

S. Ganapathi: We are currently looking as I said at international expansion, so by the end of this year, we are hoping this include our expansion in Bangladesh or any other country as the case may be and we may have to start deploying capital to that effect. So it is capturing some of that as in our manufacturing unit in a country outside of India and that is what it is. We may also have to incur a small amount of CAPEX if our knit project gets accelerated, but that is something which we will have to take a call as we go forward.

Anish Jobalia: And what would be the potential revenue contribution from the Bommanahalli you did in H2, does this unit increase our expectation of revenues for FY22 versus what we are expecting let us say in the start of the year?

S. Ganapathi: So Bommanahalli unit in FY23 will contribute Rs.80 crores. Now, in FY22 H2 its contribution will be less than Rs.40 crores because it will be in a ramp up mode. So in my assessment it will be in between Rs.20-Rs.25 crores or thereabouts.

Anish Jobalia: And out of that Rs.340 crores CAPEX which is planned, so Rs.270 crores is looking towards growth, so would it be correct to assume that this CAPEX can give us around Rs.1100 crores assuming the 4:1 asset turnover over the Rs.1500 crores revenue potential from the existing asset and another Rs.160 crores from the lease assets in Tumkur and say Bommanahalli thus resulting into a revenue potential of Rs.2700 crores by FY25? Is that the correct way to think about this?

S. Ganapathi: You are directionally going in the right direction, so all, Tumkur and Bommanahalli is also included in the Rs.340 crores, so just to get to a flavor, the modernization CAPEX also does yield some incremental productivity and incremental revenue, so you could probably take Rs.340 crores and then apply a broad ballpark asset turnover of 4x

Anish Jobalia: And you think this is achievable by FY25 considering the time would ramp up between say commissioning and ramp up time, I mean that is a very quick ramp up?

S. Ganapathi: Because most of the CAPEX is advanced, right in FY25 we are talking of very little CAPEX.

Anish Jobalia: If I could squeeze one last question sir, like what is your expectation of H2 in terms of revenues and margins directionally would be helpful to know, sir?

S. Ganapathi: The order book is full, so our current capacities are what they are with only very limited ramp up happening from these two new units of Tumkur and Bommanahalli, so we are still constraint by capacity, so revenue wise, you could draw your own conclusion from where we are in Q2, so that trajectory will continue. As far as margins, I did mention that the two units may have a small impact on incremental margins as initially any unit that comes on stream will have a tendency to operate at low margin before they catch up. So that in fact will be there, but by and large if their margins will be in double digits for sure, we will try our best to hold our margins or work at high margins even though there will be some pressure coming from the two new units which is only momentary or temporary because that will also be fully caught up by the first quarter of next year. Revenue growth, we may see some marginal revenue growth due to the new capacity.

Anish Jobalia: If you have done 12% and these new capacities could probably draw this margin downward by max like 1%, so still 11% seems to be reasonable number to think about, right?

S. Ganapathi: Yes.

Moderator: Thank you. The next question is from the line of Rahul Jagwani from PGIM India Mutual Fund. Please go ahead.

Rahul Jagwani: Actually, my question is continuing with this CAPEX, so I am just looking at your plans outlined in the presentation obviously Rs.340 crores plus if our strong performance continues, you will have good cash generation internally also and you have also raised this Rs.300 crores in the QIP and plus you have this Rs.150 crores in the fixed deposit, so is that something else we are planning which is not yet outline like may be some inorganic expansion or I mean if you new initiatives of knitwear and Bangladesh not included in this number and if it is so, you can clarify on that?

S. Ganapathi: No, knitwear, Bangladesh all of these are included in the Rs.340 crores number. Coming specifically to CAPEX, when we do Rs.340 crores CAPEX and let us assume that we do a 4x revenue assuming a 4x asset turn and assuming that we have 90 days of working capital requirement, you need one fourth of that which is back to Rs.340 crores of working capital requirement as well to handle this growth. So effectively when I talk of Rs.340 crores of CAPEX, I will need another Rs.340 to Rs.350 crores of working capital as well as we go forward. Now, we could of course use debt for working capital, but we will also have to use our margin money and some amount of money that we will have to deploy for working capital requires it as we ramp up the business. In addition to that, when we accelerate the CAPEX deployment or advance the CAPEX deployment, initially the free cash flow that we may have may not suffice for all the CAPEX deployed and that is the reason why I think we will need all the funds that we have at our disposal to ramp up growth. Obviously, if the opportunity arises, we will look at incremental growth avenues and hence utilize the capital wisely. We will be very circumspect in deploying the capital and we will make sure that the capital will be deployed only if we are convinced that the deployed capital yields the required rate of return. So to that extent, there will be a high degree of discipline in deploying the capital, but we are not averse to looking at incremental options over and above what we have indicated so far. This is what we have indicated is what we have internal visibility into for now and whatever else is in the theoretical realm or in discussions are not outlined as of now.

Rahul Jagwani: And just secondly, any new addition in clients or something in this quarter?

S. Ganapathi: It is a great question. We are caught between a rock and a hard place as far as this one is concerned. We do have active discussions going on with new customers, but we are in a dilemma to see how we on-board any incremental customer as we don't have really capacity to offer, so it is a very difficult situation that we are in given our capacity constraint that we are operating. We do have customers who want to work with us, we also want to work with those customers, but unfortunately we don't have capacity to offer.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital. Please go ahead.

Pulkit Singhal: Just wanted to understand from a debt equity ratio perspective, you are currently, I think at least on FY21 and Rs.133 crores of net debt and Rs.340 crores of gross debt, how do we look at this ratio going ahead, what is the revenue and after having raised this Rs.300 crores?

Sathyamurthy A: As of 30th September, our net debt is around Rs.217 crores. With the available funds, and an additional Rs.80 crores of CAPEX planned during this financial year, we anticipate to end this year with a surplus of at least Rs.50 crores. Going forward, for the next 2 years, with an estimated capex of about Rs.110 crores each and additional Rs.110 crores towards working capital requirement, we anticipate our net debt in FY23 to be around Rs.200 crores That is the peak debt level projected with current expansion plans.

Pulkit Singhal: So I am just trying to understand from current visibility obviously there are various opportunities that come by, how do you look at the capital structure in terms of what is the ratio you are more comfortable with if such an opportunity does arrive?

Sathyamurthy A: Obviously, the recent funds raised will free up the bank limits available for us to take care of any expansion plans that can come up apart from whatever we have detailed out. So this provides enough flexibility for us to fund such program, and to that extent, our balance sheet provides the support.

S. Ganapathi: So the net debt equity will remain a bit low for some time to come till we bring on more CAPEX or new ventures as we keep deploying them.

Pulkit Singhal: Secondly, on the cotton price is up, 40-50% as we mentioned how the transmission to yarn and fabric is happening, it is much lower, but obviously if cotton price is were to remain at this level that has to translate soon or later even to fabric prices so same will have on contraction in margins so when that happens if the cotton prices were to prevail at the current level Rs.6000-Rs.6500 a candy do you think how much of the price increase could happen fabric level is that was to translate in the next 6 months or so?

S. Ganapathi: It is a very complicated question to answer and for us to fathom because there are multiple factors that play here, cotton price going up by X% doesn't mean fabric price going up by similar X% because not all component of fabric is a cotton, right, there are other chemicals and stuff like that too. As the value addition keeps happening, the percentage increases don't translate in a linear fashion. Second, fabric manufacturers or yarn manufacturers, also by cotton opportunistically at their lows and stock them, so these tend to be commodity, so for example, yarn price increase has only been about 20%, so why is that because they buy when the cotton prices at their lows, so the spot rates are volatile and you may find some prices varying, so while

I say 40% it is the September numbers that I mentioned, but YTD average cotton price increases would not be this high. The current cotton inflation is mainly because of agricultural related reasons, cotton availability in US and India and other places. So if these volatilities do get tapered or tempered as we move in the value chain down to fabric. That is point number one. Second, there is also the brands which are selling the garments will also take suitable costs regarding blends, etc., if one particular fiber is too expensive, so that they can reduce the overall cost of fabric and hence overall cost of garments. So there are multiple things that play which mean that this volatility does not impact our business directly. Having said that directionally higher cost will be there which eventually will have to be absorbed by our customers and passed on to end customers, so that is how it works.

Pulkit Singhal: So based on your current CAPEX broadly, how much does the cotton contribute to your fabric cost in revenues?

S. Ganapathi: Our fabric cost, for example, our fabric purchases would amount close to 40% of our revenue.

Moderator: Thank you. The next question is from the line of Jayant Gangji Mamania from Care PMS. Please go ahead.

Jayant Gangji Mamania: Mr. Ganapathi, can you tell us what is the cost advantage to India in terms of percentage of cost as compared to Vietnam and China and to what extent we are at disadvantage compared to Bangladesh?

S. Ganapathi: When it comes to labor cost, India's labor cost is close to $160 per month whereas China again it varies from coast to interiors, but it will operate in excess of $250 per month and Vietnam again, big cities like Ho Chi Minh city and Hanoi are operating at $250 per month, interiors are operating at about $180-$190 per month or something, so on an average say about $200 per month. So India is comparatively cheaper than China and Vietnam. Adjusted for productivity, they will have at least 15-20% higher productivity than India, so adjusted for productivity, India may come closer to Vietnam though a bit short, but still cheaper than China. So that is as far as the labor part is concerned. As far as the fabric and other raw material costs are concerned, there are certain elements where China will be cheaper because they have a massive textiles ecosystem which is highly efficient in terms of their productivity, cost of capital and cost of power being lower, they do have certain advantages there. So net-net, they do have their advantages, we do have our advantages, but we are more sustainable because our cost structures are still cheaper and their costs are going up. In addition, trade restrictions on China means that their cost will only keep going up, cost of doing business will only go up. So net-net, I do see a strong advantage occurring for India and hence any outflow of business from China which will continue to happen will seek destinations like India, Vietnam and Bangladesh. So any good player in India will certainly have an advantage to take over those business opportunities and we are also doing the same. When it comes to Bangladesh, their cost structures are even lower than India, productivity is as high and I believe that Bangladesh has at least sustainable business opportunity for the next 5 years or even longer. So Bangladesh will be a formidable country to reckon with from a cost perspective.

Jayant Gangji Mamania: Can you tell us what percentage of cost will be in India at advantage as compared to Vietnam and China?

S. Ganapathi: As I said from an EBITDA margin, it may come to about 2-3%, 4% advantage.

Jayant Gangji Mamania: So looking at the robust order book and considering on the manufacturing side and we have started outsourcing from Bangladesh, how big this outsourcing can be?

S. Ganapathi: The outsourcing cannot be big, outsourcing is only to keep testing the water. It is only a step before setting up manufacturing in that location. So I don't foresee outsourcing as a business continuing for long or even being significant for us.

Moderator: Thank you. The next question is from the line of Mulesh Savla from Shah&Savla LLP. Please go ahead.

Mulesh Savla: Historically, we have weak Q1 & Q2. In such scenario these results are really commendable. Sir, my question to you is a little on logic that we have small facilities in Karnataka, we are also expanding in MP, then we are thinking of having facility in Tamil Nadu, so when I look at all these facilities, I just want to understand from you what is the thought process of the management to manage the small facilities at different location, especially also with some of the requirements of ancillary facilities like embroidery, printing and all those things, so does it make sense to have bigger facilities at one location or you are comfortable managing and adjusting this ancillary facilities at smaller facility at different locations?

S. Ganapathi: Obviously, if given a choice we would like to set up bigger facilities. When I say bigger facilities, I mean facilities with about 2000 people in one location and that kind of reaches it peaks of incremental marginal returns. We have gone for smaller facilities recently. Our existing facilities are by and large ones, we have consolidated most of them, but incremental facilities we have gone for smaller ones, for example, the two units that we set up in Karnataka, both are small ones and they were done in response to an urgent need to step up our capacity. So we look for lease facilities and when you are looking for lease facilities, you may not have the option of getting the one of your choice, but an option of getting what is available and what best you could do with them. So given that scenario and given the imperative to bring up capacity at the soonest, we have taken appropriate decisions to go for smaller facilities in proximity to our existing facilities as Tumkur and Bommanahalli, both are not too far from Bangalore, so that our ancillary support can still be extended from our Bangalore unit. So looking at the circumstances, we have taken a specific call to go ahead with them, but if we are setting up our own larger units, for example, the one in Madhya Pradesh or future Greenfield units, they will all be larger size. I hope I clarified.

Mulesh Savla: And sir, my another question to Mr. Sathya, there is one write-off of Rs.2 crores in case of some deposits or advances, so what is that and we have incremental stock of about Rs.107 crores in the current quarter, does it relate to some finished goods which were ready to dispatch and couldn't dispatch because of container shortage or supply chain disruption or it is raw material and because of hike in the prices, we have extra raw material, so just little more light on stock available and this write-off?

Sathyamurthy A: Our inventory as of 30th September is almost 90 days. This is almost 15 days more than our normal limits. As you mentioned, to avoid the supply chain disruption we have planned the material and received it ahead and hence this 15 days additional stocks buildup.

Mulesh Savla: It is raw material; it is not finished goods.

Sathyamurthy A: No, both raw material as well as the finished goods, whatever is inspected and still not cleared, both are there close to around 15 days, We anticipate to continue this additional stock holding at least till this financial year end and hopefully from Q1 FY 23 onwards once the supply chain system is normal, , we will be able to unlock it., With reference to other question,, this is an expected credit loss provision which we normally make based on ageing of advances., Some job work advances and other advances if it crosses the certain time limits as per the policy, , we provide for it and subsequently on collection basis we account it back as income..

Mulesh Savla: A clarification, in the previous question, you said that there is no excess of incentive of earlier quarters are credited in the current year, right?

Sathyamurthy A: That is correct.

Mulesh Savla: Because in last quarter also I think we estimated our benefit and accordingly we took it credit in the quarter itself even related to quarter one, so I was just thinking that is there any balance which is still left out because last time we did it on estimated basis, the exact percentage was yet to be declared, so I thought probably there will be some balance left out to be credited in the current quarter?

S. Ganapathi: No, so to clarify, in Q4 we did in on that estimated basis and we had some balance to be credited which we did in Q1, but in Q2 we did not have anything because in Q1 itself the RoSCTL policy had come out and status quo was announced, so we took the full credit in Q1 for the Q1 and for the excess of Q4 whereas in Q2 we have just accounted for whatever has accrued to us in Q2.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Sir, most of my question have been answered, I just wanted to understand one book keeping question on the volume of sales done, so volume as well as some color on the product mix in the quarter in terms of casual wear, outerwear, etc., that you share generally?

S. Ganapathi: See the outerwear we did 56%, casual wear 25% and bottom wear 13% during the quarter.

Prerna Jhunjhunwala: And volume of sales, sir?

Sathyamurthy A: Volume, it is about 5.3 million pieces.

Moderator: Thank you. The next question is from the line of Aashish Upganlawar from InvesQ Investment. Please go ahead.

Aashish Upganlawar: I am listening to you for the first time and so I could understand from the discussion that it is happened that China plus one is one big factor that is driving the demand momentum, so I wanted to understand your thoughts on deciphering because quite a few years, we have not been growing on the sales front and suddenly there is a demand surge and we are planning capacity expansion and things look to be going in a very good direction, so can we decipher between what looks to be temporary in terms of demand factors and what looks to be very solid base for the next 5 years, so that gives us the confidence that we will be growing at a pretty good speed over the next 5 years?

S. Ganapathi: Just to give you a historical context this company has been at about Rs.1000 crores for over a decade until 2018. After that we moved to Rs.1400 crores in FY20, so we have exhibited an aggressive growth even pre-COVID, then we stagnated during COVID in FY21 when we fell down to Rs.1225 crores and then now we are back on track, trying to catch up this growth again, so growth has been in the DNA at least for last 3 to 4 years in this company. Now, of late, our growth trajectory has accelerated and what is causing that, it is simply that during the period of COVID that is FY21, we consolidated other suppliers who were competing with us while working for our existing customers. So our export revenue in FY21 only dipped by about 9% whereas our customers saw a sales fall in excess of 20% for FY21. So clearly we took up capacity or we took up a higher share of our customer and now when they are back with incremental sales we are riding the curve with them on a higher platform or on a higher base. So this onetime gain that we took in FY21 which did not show up much in revenue terms will now play out for the foreseeable future because we have got that incremental market share. Second, the incremental sales which we are seeing in 2021 versus 2019 may be contributed by the people not having bought garments for one or two seasons and hence there is some bit of excess buying or revenge buying whatever you want to call it and it may or may not be fully sustainable in the years ahead.

It will settle down to a more normal growth as supposed to the aggressive growth, for example, when I look at 2021 versus 2019, as I said the retail store sales were of 6% in the US and e-commerce sale was 40% up, so it is a very large growth that we have seen over 2019 which is pre-pandemic year, but will these kind of growth rate be sustained, probably not, probably it will slow down to the normal growth rate, but then for us, having taken the market share and having brought in several new customers, who today are knocking at our doors for incremental capacity, I don't foresee much of a problem from a growth perspective since we have the opportunity to grow with the new customers that we have brought on board as well. So for example, in the last year, we brought on board about 7 new customers and they themselves are currently at about 13% in terms of capacity that they use of ours, so we do have an opportunity to grow with them. We do have an opportunity to grow with our existing customers as well by taking a disproportionate share and we have an opportunity to bring our new customers with whom we are having discussion, so there is a combination of factors which are at play as well. In addition to all of this, the supply side issues which are businesses going out of China, for instance, if you look at China, the exports from China to the US has fallen by about 10% in the last 3 to 4 years, in terms of market share, so it has come down steeply and early benefits went to Vietnam and Bangladesh, but we are also seeing some incremental benefits occurring to us. So there is a supply constraint as well coming in from some of the large exporting nation which will also work in our favor, so all of this means that we have the opportunity to step up and accelerate our growth. Now, none of this will materialize if we do not continue to execute very well and make sure that we deliver on quality, on time etc., which we have established ourselves in the market as one of the best player So we have to make sure that we continue to do very well execution wise, then we can stake our claim for a disproportionate growth which we are about doing.

Aashish Upganlawar: So you said we don't see a challenge on the normal growth rate ahead and you can also have a disproportionate growth going ahead, so what would that range be in terms of normal and disproportionate put together?

S. Ganapathi: Again, I would stick on at this point in time that range will be the speed at which we can do our capacity increase. The rock bottom would be 15%, but then I don't think we want to be there, we would like to do much more than that and be far and excess of that and we are looking at capacity augmentation to support our growth much faster than that.

Moderator: Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Just to summarize what we are discussing for quite couple of times, there are contrasting statements which probably we are hearing from you or may be from the industry for last almost 6 to 9 months, so the basic and the simple question is that whether India opportunity has arrived or not because the government on the one hand has highlighted couple of schemes whether it is RoDTEP, RoSCTL, then MITRA Parks and all these things which are pointing towards superlative growth for the industry and the target which we are hearing is from \$30-\$35 billion to almost \$100 billion which is almost 3x what we are today and even the industry veterans whether it is the Grasim Industries Whomsoever you listen we are also accepting that we will be at least doubling in next 5 years, but when we hear from you again there are contrasting statements that the customers are knocking at our door and we are not able to supply and their ramping capacities where the capacity constraint and simultaneously we are highlighting that this could be temporary also, it may not be some sort of permanent, we are still lagging behind Bangladesh in terms of our cost structure and the government is saying we want to make global giants, so this is completely confusing the analysts community, you might have last 3-4 concalls realized that the kind of participation that is coming for the textile companies is humongous which you might have not seen may be in last 10 years or so, whether pre-COVID or during COVID. So this is perhaps somewhat sort of whole sort of questions which are coming to our mind and we are not able to caliber and think in a right direction that whether India opportunity has arrived and can this industry be growing the way chemical as seen for last 5 years, growing in double digits and that can be sustained for next 5 years or not. So if you could simplify, I know I have put up lot of jargons and lot of complicated statements from the industry veterans, but if you could simplify this in a simple answer is that whether India opportunities arrived, can this industry achieve this \$100 billion or may be even \$60-\$65 billion in the next 5 years or not? If yes, then what we are sighting that we will double over next 5 years doesn't gel with us. So like you said, we are investing Rs.340 crores which will double our turnover in next 4-5 years, so if you could simplify this for us, it will be really helpful, sir?

S. Ganapathi: I don't see the contradiction in what has been stated so far. I am not sure what you are referring to. When I say the cost structure, they are the cost structures what they are. When I say that Bangladesh is less expensive than India that is fact remains. Having said that India still is cheaper than China and Vietnam and China is 10 times that of India's exports when it comes to apparel even now and that is why huge opportunity for India to take advantage of and India is taking advantage of. The fact that China's market share is falling pretty steeply over the last 3-4 years is also indicative of the fact that the opportunity segment for India is very large and we will continue to remain large if this trend continues and in every possible angle, it looks like the trend will continue. End-user demand is extraordinarily robust that extraordinarily robust when we talk of 40% growth in e-commerce and all that may not be sustainable is what I am saying, but then the growth is still high. All said, when we talk to of a huge growth for Indian textile industry that will remain, that is for sure and players who are good at execution will be able to get a fairly lion's share of that growth. I hope that is understood. Coming to specifics on \$35 billion, \$100 billion, we can talk whatever numbers we want and there are lots of components there. We you talk of \$35 million, they are talking of entire textile exports including fabric, yarn, etc. Now, when I look at apparel exports I feel that there is good growth opportunity available for India. Good players or big players like us can see disproportionate growth going forward and I can see that happen at least for the next 5 years.

Bajrang Bafna: I think this satisfies all the doubts which are in the minds of all the analysts, but sir, just one thing which is, if you see our investment target for next 4 years which you highlighted, Rs.340 which can generate another, let us say, Rs.1500 crores kind of turnover and we are already at that number perhaps with the current run rate with our existing capacity, so still we are talking about just doubling the number over next 4 years, so what can change this hypothesis probably which we are making right now?

S. Ganapathi: The few things which can change is that we may be able to extract an asset turns a little more than 4x. That is point number one. Point number two, we may also do more CAPEX than what we have indicated as we go forward and as we get into the rhythm of setting more capacities, we may accelerate some of the expansion plans and do much more. So for us, we are not limited by the numbers that we are indicating at the moment. If I see an opportunity to grow or get incremental business over and above what we have said that is definitely on the table, on the radar and we will take it up.

Moderator: Thank you. The next question is from the line of Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Sir, just wanted to understand is there any progress on the Rs.150 odd crores fixed deposits that was frozen for us?

Sathyamurthy A: We have already initiated action with private banks. Private Banks have sanctioned loan facility. We are in the process of migrating the banking operation during this quarter itself. We expect to complete the entire process by this quarter. If at all, fixed deposits release can happen between December and January is what we anticipate at this point of time.

Venkat Samala: So by the time we have next earnings call, probably all of that capital will be released, right?

Sathyamurthy A: Yes, we hope to get it.

Venkat Samala: And one last question from my side is, now that we are moving to this new MP facility, till now we have been predominantly a South based player, right, so do you foresee any risks in terms of managing a different pool of labor than what we used to do previously or any other supply chain risks because we may be working with different ecosystem of suppliers while we are manufacturing there?

S. Ganapathi: There is no supply chain related issues because we work with suppliers pan India as well as global and those suppliers only will continue to support our Madhya Pradesh unit as well, so there is no change on that front. Yes, of course, it will be a new geography and a new labor pool. We are not daunted by that. We have already gone into several new locations within South and we have seamlessly managed those. We do have the talent, the depth of leaders within our operation side. We have created that capacity, so that we are able to handle the new location like Madhya Pradesh and MP is a very conducive place also for doing business, so I don't anticipate any problem from that perspective.

Venkat Samala: And just as a followup for that and not just restricted to Madhya Pradesh, but more in line with whatever our capacity expansion plans are, so how do you think about recruiting and training new employees in anticipation of our capacity expansion?

S. Ganapathi: So what we are doing is we are working with some training institute, so that the people who are somewhat trained in their training setup are being given enough preference for recruitment, so we have actually recruited about 4000 people in the last quarter and we are continuing that growth as we go forward to handle incremental business. So we are doing that, we do have some amount of labor challenge coming in the South and to that extent we are also seeing if we can get some labor force from Orissa or some other places where there is some labor available, so all of that is work in progress. This is only to meet the incremental or delta wherever there is some amount of shortfall, but by and large our focus continues to be to see if we can get the labor pool from in and around our factory, working in tandem with training institutes which will train some of those workers before we put them. Once they are internally recruited, we put them through 21-day training before they are put on the job for production.

Moderator: Thank you. The next question is from the line of Dhruv Shah from Ambika Fincap. Please go ahead.

Dhruv Shah: Sir, I just have one question that you alluded that few of your orders were given on job work, so why don't we take new orders from a new customer and bring them on board and give it to on job work, I just wanted some clarification on that?

S. Ganapathi: There are several contractual obligations which come in the way of doing that. Sometimes like pandemic, we may get exemptions to our contractual obligations and we may be permitted to do something like this, but in the normal course of business, we are not allowed to outsource or contract the work that is given to us and there are several reasons for it. The subcontractor's own quality standards, worker safety standards may be in question, their unit may not be compliant with the international norms and we cannot 100% assure that whether they are paying fair wages to their employees, so there are lot of constraints that we may have in terms of adhering to global standards when it comes to ensuring compliance with outsourced supplier. That is the reason why as an industry we don't do a lot of outsourced work. It is fraught with lot of risks going forward.

Dhruv Shah: In apparels, job work is strict in general?

S. Ganapathi: Apparel for international business largely is no, but for domestic business that is not a problem at all.

Moderator: Thank you. The next question is from the line of V. P. Rajesh. Please go ahead.

V. P. Rajesh: Siva, just a quick question, are you seeing your customers also increase their prices or are they still far away from starting to judge their prices?

S. Ganapathi: Very good question, I keep pushing this all the time that prices have to increase, yes, they are not dropping prices for sure. There is a minor price correction that we are seeing in some other market which is a really good sign. We will have to wait and watch how this Christmas season sale goes and see how is this year pricing vis-a-vis last year pricing. That could be a great indicator. If the pricing to the end-consumer goes up, then it is excellent for the entire value chain as some amount of inflation can be absorbed by the end-consumer. I am keenly looking forward to it.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comment.

S. Ganapathi: Thank you so much for attending the conference. I am very confident that Gokaldas Exports can continue to grow and capitalize on the opportunities that are available in the market. The textile space is growing in the country, particularly because of good demand flow from the Western markets. Many of those large buyers from the Western world are increasingly looking at India and other countries as an option to diversify away from China given that they have a fairly huge exposure to purchasing from China and given the geopolitical risks they are looking at option and we figure favorably. Given that we have an excellent execution track record, we are in a good position to capitalize on that sentiment and take advantage of the available opportunity to grow. We are capacity constrained and continue to be and we will do our best to unlock our capacity which will yield incremental growth while we continue to focus on relentless execution excellence. So that is the situation we are in and I foresee that for the immediate foreseeable future about 3 to 5 years, the industry opportunity will be robust and strong and this will mean that people who execute well will have a good opportunity going forward. Thank you so much.

Moderator: Thank you. On behalf of Gokaldas Exports Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.